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January 9, 2006

Hon. Elizabeth O'Donnell
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
Frankfort, KY 40601

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JAN 9 2006

PUBLIC SERVICE
COMMISSION

Re: General Adjustment in Electric Rates of Kentucky Power Company
Case No.: 2005-00341

Dear Ms. O'Donnell:

On behalf of the Kentucky Telecommunications Association I enclose for filing the original and 10 copies of the Testimony of James Freeman. Please file stamp the enclosed additional first page and return it to me in the enclosed self-addressed stamped envelope.

Thank you for your assistance in this matter and please do not hesitate to contact me if you have any questions.

Very truly yours,

WYATT, TARRANT & COMBS, LLP

Frank F. Chuppe

by

FFC/pw

Enclosures

cc: Gardner Gillespie (w/ enclosure)

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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

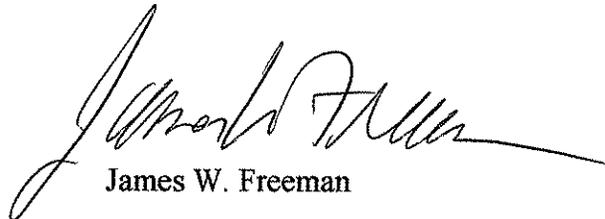
COUNTY OF FAYETTE

CASE NO. 2005-00341

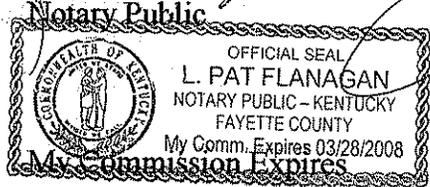
COMMONWEALTH OF KENTUCKY

Affidavit

James W. Freeman, upon first being duly sworn, hereby makes oath that if the foregoing questions were propounded to him at a hearing before the Public Service Commission of Kentucky, he would give the answers recorded following each of said questions and that said answers are true.


James W. Freeman

Subscribed and sworn to before me by James W. Freeman this *7th* day of *January*, 2006.


Notary Public


**COMMONWEALTH OF KENTUCKY
BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION**

In the Matter of:

**GENERAL ADJUSTMENT IN ELECTRIC)
RATES OF KENTUCKY POWER COMPANY) CASE NO. 2005-00341**

TESTIMONY OF JAMES W. FREEMAN

1. **Question:** Please provide your name, business address and occupation.

Answer: My name is James W. Freeman, I am a tenured associate professor in the Gatton College of Business and Economics, University of Kentucky, Lexington, KY 40506.

2. **Question:** Have you previously testified before this Commission?

Answer: Yes. I testified most recently in Case. No. 2004-00319, Jackson Purchase Energy Corporation. I have been testifying before this Commission for over twenty years.

3. **Question:** What is the purpose of your testimony?

Answer: The primary purpose of my testimony is to critique the analysis of Errol K. Wagner and to recommend to this Commission the correct pole attachment rate methodology and appropriate pole attachment rates for Kentucky Power Company. My focus is on EKW-10, which contains Mr. Wagner's calculations of CATV pole attachment rates.

4. **Question:** Do you have any exhibits to your testimony?

Answer: Yes. I have four different exhibits.

First, I have prepared Freeman Exhibit 1, which is in the format of EKW-10, but I believe more accurately reflects the intent of the Commission in Administrative Case No. 251.

Freeman Exhibit 2 sets forth the increases in the Company's investment in wood distribution poles from 1990 to 2002, after which the Company indicates that it stopped keeping property record units for wood poles of different sizes.

Freeman Exhibit 3 is the July 6, 1983 decision of this Commission in Administrative Case No. 251-24, concerning Kentucky Power Company. This decision makes it clear that the cost of major appurtenances should first be excluded from the pole investment, and an additional 15 percent should then be deducted for minor appurtenances.

Freeman Exhibit 4 is the July 14, 1983 decision of this Commission in Administrative Case No. 251-27, concerning Union Light Heat and Power Company. This decision requires that if a utility does not keep separate cost records of major appurtenances, those records should be "reconstructed."

5. **Question:** Do your calculations as contained in Freeman Exhibit 1 accurately reflect your best judgment concerning the determination of appropriate CATV pole attachment rates?

Answer: Yes, except that I understand the Commission will adopt rate of return and depreciation numbers in its decision in this case which may differ from those

I used. For the sake of convenience, I used the Company's proposed rate of return and depreciation numbers in Freeman Exhibit 1, while recognizing that the Commission's ultimate decision could require a recalculation of my numbers as they relate to these two issues.

6. **Question:** Please discuss your proposed changes to EKW-10.

Answer: First of all, on Lines 6 and 10, Mr. Wagner basically removed Capital Leases from Total Utility Plant. This is a relatively minor point, but it is important to correct it. I know of no other pole attachment case in which Capital Leases have been removed from the calculations; nor do I know of any reasonable basis for doing so. I believe it is important for utilities to calculate CATV Pole Attachment Rates on a consistent basis. Unless utilities are required to adopt a consistent approach to the calculations, the companies will have a strong incentive to run all possible iterations of the numbers and simply adopt the methodology which yields the highest possible individual rate increase, regardless of whether the methodology is consistent with Administrative Case No. 251.

With respect to Line 16 Poles and Line 17 Overhead Accounts, I removed Mr. Wagner's Capital Lease Adjustment, as previously discussed. Otherwise my calculations in these lines mirror Mr. Wagner's.

I also made an adjustment in Line 20a to remove the value of major appurtenances from Mr. Wagner's calculations. This Commission has made clear in prior pole attachment decisions that the average pole investment to be

used should be determined by deleting all investment in major appurtenances and then by deleting 15% of the remainder for minor appurtenances.

My final adjustment was to eliminate Line 26, which determined the amount of overhead maintenance in Account 593 that related to the pole account (Account 364), and adjust Line 37, the Pole Maintenance Factor. I simplified the calculation by simply dividing the expense in Account 593 by the net investment in overhead plant. I believe that my result here is the same that the Company would derive, were it's not to eliminate capital leases, as I have discussed above.

7. **Question:** Would you explain in more detail the adjustment you have made in Line 20a.

Answer: The Commission's September 17, 1982 decision in Administrative Case No. 251 determined that separate pole attachment rates should be calculated for electric utilities for "three-party" poles and "two-party" poles. Two-party pole rates are determined based, in part, on the company's investment in "bare" 35 and 40-foot poles, and three-party pole rates are determined based, in part, on the company's investment in "bare" 40 and 45-foot poles.

FERC Account 364 (Poles, towers and fixtures) contains the "the cost installed of poles, towers and appurtenant fixtures used for supporting overhead distribution conductors and service wires." Based on the description of the Account in Part 101 of Title 18 of the Code of Federal Regulations, the appurtenances in the account include such things as anchors, guys, cross arms and braces, extension arms, transformer racks and platforms, and various other more minor items. In

Administrative Case No. 251, the Commission understood that the cost of major appurtenances "can be specifically identified in sub-accounts of . . . Account 364" and directed that electric utilities would start with "the appropriate sub-account of FERC Form 1, Account 364" for the investment in the applicable-size poles and subtract 15 percent for minor appurtenances.

In its July 6, 1983 Order in Administrative Case No. 251-24 (which involved Kentucky Power Company), the Kentucky Commission explained that its proper pole attachment rate methodology first excludes the cost of major appurtenances, such as anchors, guys and cross arms, and then deducts 15 percent for minor appurtenances. See Freeman Exhibit 3, at page 2. The Commission similarly indicated in its July 14, 1983 Order in Administrative Case No. 251-27 (involving Union Light Heat and Power Company) that the utility should segregate the amount of major appurtenances in Account 364 and then subtract 15 percent for minor appurtenances. If the utility's accounting does not segregate major appurtenances, then the utility is supposed to "reconstruct separate cost records for major appurtenances" and then deduct those plus an additional 15 percent for minor appurtenances such as aerial cable clamps and pole top pins. See Freeman Exhibit 4, at pages 2-3.

I am aware that to calculate its pole rates in 1983, following the decisions in Administrative Case No. 251, Kentucky Power Company based its pole rates on its continuing property records for 35, 40 and 45-foot poles and subtracted 15 percent to represent minor appurtenances, as the Commission had directed. In

its proposal to increase pole rates in 1991, the Company again (through the testimony and exhibits of Mr. Wagner) used its continuing property records for 35, 40 and 45-foot poles and again subtracted 15 percent for minor appurtenances. Since 1991, however, the Company has both eliminated its separate accounting for major appurtenances and its records of the number and investment of different size wood poles. Despite the Commission's clear requirement that pole attachment rates for two-party poles be calculated on the basis of the bare pole investment in 35 and 40-foot poles and that pole attachment rates for three-party poles be calculated on the basis of the bare pole investment in 40 and 45-foot poles, according to the Company's response to KCTA Data Request No. 34, in 2002, "the Company decided that maintaining poles by height in the continuing property records was not a required level of detail." As I understand the Company's response to KCTA Data Request No. 36, in 1999 the Company ceased keeping records of major appurtenances, such as anchors, guys, cross arms and braces, separate in its property records.

Mr. Wagner's pole attachment calculations in this case are not based on either "bare" pole investment or the investment in the applicable size poles called for by the Commission. Without any ability to determine any longer the Company's investment in 35-45 foot wood poles, I recommend that the Commission accept the Company's reliance on an average cost of all poles. In my opinion, however, the Company's failure to segregate the cost of major appurtenances must be

corrected for. The information contained in the Company's Responses to KCTA's Data Requests provides the means to do so.

According to the Company's Response to KCTA Data Request No. 36, in 1999 the Company ceased separately accounting for major appurtenances. (Although the response says that it ceased at that time to keep "minor non-retirement unit items separately," it seems clear that the reference is to what we would call "major appurtenances.") As shown in Freeman Exhibit 2, from 1990 through 2002, with the exception of 1999, the increase in the average investment in a wood pole varied from 6.37 to 1.26 percent, with an average of 3.83 percent. In 1999, however, when the Company stopped separately accounting for major appurtenances, the investment in an average wood pole increased by 42.85 percent. It is reasonable to assume, therefore, that approximately 39 percent (42.85% - 3.83%) of Account 364 consists of major appurtenances. In the ULH&P case that is contained in Freeman Exhibit 4, the Commission stated that, in the absence of utility records of major appurtenances, such records should be "reconstructed." In view of the failure of the Company to continue to maintain the records that would demonstrate exactly what percentage of Account 364 consists of major appurtenances, the Commission should accept my "reconstruction" of the amount of major appurtenances and adopt my determination that they constitute 39 percent of Account 364.

8. **Question:** What do you calculate to be Kentucky Power's proper pole attachment rates?

Answer: I calculate that, based on the Commission's methodology from Administrative Case No. 251, the rate for two-party poles is \$6.47 and the rate for three-party poles is \$4.02. These calculations are set forth in Freeman Exhibit 1.

9. **Question:** Does this complete your testimony?

Answer: Yes.

Freeman Exhibit 1
Case No. 2005-00341

Kentucky Power Company
CATV Pole Attachment Rate Calculations
for the Twelve Months Ending June 30, 2005

Freeman Exhibit 1
[Exhibit EKW - 10
(As revised by JWF)]

Ln No. (1)	Description (2)	FERC Acct. No. or Reference (3)	Amount (4)
Gross Plant			
1	Poles	364	\$126,864,495
2	Conductor	365	\$102,420,173
3	Services	369	\$31,586,290
4	Total Overhead Accounts		<u>\$260,870,958</u>
5	Total Distribution Plant	Sec V Sch 11 Ln 15	<u>\$446,448,969</u>
6	Total Utility Plant	Sec V Sch 11 Ln 22	<u>\$1,353,341,211</u>
Depreciation Reserve			
8	Total Distribution Plant	Sec V Sch 12 Ln 3	<u>\$130,847,900</u>
9	Total Utility Plant	Sec. V Sch 12 Ln 8	<u>\$443,489,466</u>
11	Poles	(Ln 1 / Ln 5) X Ln 8	<u>\$37,182,195</u>
12	Overhead Accounts	(Ln 4 / Ln 5) X Ln 8	<u>\$76,457,601</u>
Deferred Taxes			
Total Utility Plant			
13	Accel. Amort. P. Prop.	281	\$4,281,600
14	Other P. Prop.	282	<u>\$110,227,605</u>
15	Total Deferred Taxes	Sum Accts. 281 + 282	<u>\$114,509,205</u>
16	Poles	[(Ln 1-Ln 11)/(Ln 6-Ln9)](Ln 15)	\$11,290,608
17	Overhead Accounts	[(Ln 4-Ln 12)/(Ln6-Ln9)](Ln15)	\$23,211,016
18	Net Poles Investment	(Ln 1 - Ln 11 - Ln 16)	\$78,391,692
19	Net Overhead Accts.	(Ln 4 - Ln 12 - Ln 17)	\$161,202,341
20	Net Plant Investment	(Ln 6 - Ln 9 - Ln 15)	\$795,342,540
20a	Adj. for Major Appurt.		39.00%
21	Appurt. Elimination Rate	Rate for Elect. Co.	15.00%
22	Year End No. of Poles		198,724
23	Net Cost of a Bare Pole	(Ln 18 X (1 - Ln 20a)(1 - Ln 21)) / Ln 22	\$204.54
24	Depreciation Rate - Poles	Depreciation Study	3.64%
25	Administrative Expense	Sec V Wk Paper S-7 Lns 27+28	\$23,819,830
27	Maint. Of Overhead Lines	593	\$11,169,968
28	Operating Taxes		
29	Taxes Other Than Income	Sec V Schedule 9	\$9,021,196
30	Income Tax - Federal	Sec V Schedule 10	\$3,855,050
31	Income Taxes - Other	Sec V Schedule 10	\$848,006
32	Provision for Def Inc Tax	Sec V Schedule 10	\$4,949,813
33	Investment Tax Credit	Sec V Schedule 10	(\$1,168,684)
34	Total Operating Taxes	(Sum Lns 29 through 33)	<u>\$17,505,381</u>
35	Depreciation Expense Factor	((Ln 24 X Ln 1) / Ln 18)	5.89%
36	Admin. Factor	(Ln 25 / Ln 20)	2.99%
37	Pole Maintain. Factor	(Ln 27 / Ln 19)	6.93%
38	Tax Expense Factor	(Ln 34 / Ln 20)	2.20%
39	Rate of Return	Sec V Wk Paper S-2 P1	7.89%
40	Annual Cost Factor	Ln 35 + Ln 36 + Ln 37 + Ln 38 + Ln 39	<u>25.90%</u>
41	Annual Pole Cost	Ln 40 X Ln 23	<u>\$52.98</u>
42	CATV Two Party Space %		12.24%
43	CATV Two Party Attachment Fee	Ln 43 X Ln 41	<u>\$6.47</u>
44	CATV Three Party Space %		7.59%
45	CATV Three Party Attachment Fee	Ln 44 X Ln 41	<u>\$4.02</u>

Freeman Exhibit 2
Case No. 2005-00341

**Kentucky Power Company
Investment in Wooden Poles by Height
As of 12/31 - Years 1990 Through 2002**

<u>Year</u>	<u>Investment</u>	<u>No. Poles</u>	<u>Investment Avg. Poles</u>	<u>Increase Since Prior Year</u>	<u>Percent Increase</u>	<u>Source</u>
1990	\$ 44,766,163	162,261	\$275.89	--	--	Attach A
1991	\$ 48,249,510	164,387	\$293.31	\$17.42	6.32%	Attach B
1992	\$ 52,154,469	167,165	\$311.99	\$18.68	6.37%	Attach B
1993	\$ 54,639,498	168,145	\$324.95	\$12.96	4.16%	Attach B
1994	\$ 58,475,091	171,623	\$340.72	\$15.77	4.86%	Attach B
1995	\$ 62,192,455	175,294	\$354.79	\$14.07	4.13%	Attach B
1996	\$ 64,633,569	176,203	\$366.81	\$12.02	3.39%	Attach B
1997	\$ 68,182,757	180,263	\$378.24	\$11.43	3.12%	Attach B
1998	\$ 71,073,797	183,410	\$387.51	\$9.27	2.46%	Attach B
1999	\$ 102,482,428	185,135	\$553.56	\$166.05	42.85%	Attach B
2000	\$ 107,326,483	188,141	\$570.46	\$16.90	3.06%	Attach B
2001	\$ 111,761,290	190,340	\$587.17	\$16.71	2.93%	Attach B
2002	\$ 116,200,576	195,452	\$594.52	\$7.35	1.26%	Attach B

Average percentage increase, excluding 1999 = 3.83%

CARRYING CHARGE WORK SHEETS

KPSC CASE NO. 91-053
ORDER DATED KCTA 5/1/91
ITEM NO. 11
SHEET 2 OF 2

II. Carrying Charge - Operation & Maintenance Component (Cont'd)

12. Pole Related Distribution Maintenance Expense Subject to Payroll Tax and Fringe Benefits Adders (line 5, page 1 + line 10, page 2) \$ 4,626,298 Line 22

13. Allocated Payroll Taxes & Fringe Benefits Expense (line 22 x line 21 x line 15 page 3) \$ 332,530 Line 23

D. Net Pole Investment - All Poles

This resultant amount reflects the total PRU amounts for all wooden poles, adjusted for estimated accumulated depreciation.

1. Pole Investment - Wooden Poles

<u>PRU No.</u>	<u>Quantity</u>	<u>Amount</u>	
6470 30' or less	<u>33,205</u>	<u>\$ 5,235,093</u>	
6471 35'	<u>52,349</u>	<u>7,995,258</u>	
6472 40'	<u>45,044</u>	<u>14,574,480</u>	
6473 45'	<u>22,859</u>	<u>10,823,908</u>	
6474 50'	<u>5,941</u>	<u>3,826,493</u>	
6475 55'	<u>2,102</u>	<u>1,560,480</u>	
6476 60'	<u>435</u>	<u>382,996</u>	
6477 65'	<u>192</u>	<u>188,841</u>	
6478 70'	<u>90</u>	<u>113,632</u>	
6479 75'	<u>29</u>	<u>38,278</u>	
6480 80'	<u>11</u>	<u>15,862</u>	
6481 85'	<u>1</u>	<u>2,615</u>	
6482 90'	<u>3</u>	<u>8,227</u>	
6483 95'	<u>--</u>	<u>---</u>	
2. Total Quantity	<u>162,261</u>		Line 24
3. Total Amount		<u>\$ 44,766,163</u>	Line 25
4. Average Cost of Wooden Poles (line 2 / line 1)		<u>\$ 275.89</u>	Line 26

Freeman Exhibit 3
Case No. 2005-00341

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

* * * * *

In the Matter of:

THE CATV POLE ATTACHMENT)	ADMINISTRATIVE
TARIFF OF KENTUCKY)	CASE NO. 251-24
POWER COMPANY)	

O R D E R

Procedural Background

On May 27, 1983, the Commission issued an Order rejecting the CATV pole attachment tariff filing of Kentucky Power Company ("Kentucky Power") and directed Kentucky Power to file revised rates, rules, and regulations governing CATV pole attachments. On June 16, 1983, Kentucky Power filed a petition for reconsideration of findings 3 and 4 of the May 27, 1983, Order. On June 24, 1983, Kentucky Power filed a revised pole attachment tariff and supporting work papers. On July 1, 1983, the Kentucky Cable Television Association, Inc., ("KCTA") filed an Opposition to Petition for Reconsideration.

Findings

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that:

1. In finding 3 of the May 27, 1983, Order, the Commission sustained the objection of KCTA to the addition of 7.6 percent to the pole account for anchors in Kentucky Power's calculation of pole attachment rates. Kentucky Power's petition for

reconsideration argues that the Commission's Order of September 17, 1982, provides for a 15 percent deduction from the pole account for minor appurtenances including anchors and that failing to add 7.6 percent for anchors before deducting the 15 percent would result in a calculated bare pole cost less than the actual cost shown on Kentucky Power's books.

The CATV pole attachment tariff filing of Louisville Gas and Electric Company ("LG&E") presents a similar situation. In that case LG&E did not deduct 15 percent for minor appurtenances but rather used the actual embedded costs of bare poles including such items as excavation and backfill necessary to set a pole, pole top extensions, replacement of paving, permits for construction, labor and equipment cost of settings, and gaining, roofing and stenciling done by the supplier of the poles. KCTA did not object to this treatment. In its Order of September 17, 1982, the Commission established a method of estimating bare pole costs for those utilities that do not account separately for all appurtenances. The method consisted of excluding the cost of major appurtenances and deducting 15 percent for minor appurtenances. Although the Order could have been clearer on the issue of whether anchors were major or minor appurtenances, a review of the language in the Order and the record in that proceeding shows that the Commission in determining the 15 percent deduction considered anchors to be major appurtenances. In cases where the cost of minor appurtenances can be separately determined, there is no need to estimate embedded bare pole costs. Kentucky Power states that its proposed method results in a bare

pole cost equal to the actual embedded bare pole costs shown on Kentucky Power's books.

Kentucky Power should either show that the actual embedded costs of bare poles are available and used in calculating pole attachment rates or deduct 15 percent for minor appurtenances according to the Commission's uniform method of estimating bare pole costs.

2. In finding 4 of the May 27, 1983, Order the Commission sustained KCTA's objection regarding the operation and maintenance component of carrying costs and directed Kentucky Power to "include investment in appurtenances and overhead lines in the denominator of the operation and maintenance component of the carrying cost." Kentucky Power's petition for reconsideration proposes to amend this finding to "include the initial investment in FERC Form 1, Account 364: Poles, Towers and Fixtures in the denominator of the operation and maintenance component of the carrying cost" as the numerator does not include expenses related to overhead lines. The proposed amended language agrees with the language in KCTA's objection as stated in Exhibit E of Objections of Kentucky Cable Television Association, Inc., to Utility CATV Tariff Filings filed January 17, 1983.

In its July 1, 1983, Opposition, KCTA argues that the numerator does include expenses related to overhead lines, subaccounts of Account 593, Maintenance of Overhead Lines. Expenses in Account 593 relate to investment in poles, towers and fixtures as well as overhead conductors and devices and services. Kentucky Power has included approximately one-half of the expenses

in Account 593 as maintenance expenses related to poles, towers and fixtures which is an appropriate approximation of the corresponding amounts included in the denominator. Including all investment in overhead lines in the denominator of the operation and maintenance carrying cost calculation would distort the resulting charge. Therefore, Kentucky Power's proposed amended language is reasonable.

3. Kentucky Power's rules and regulations governing CATV pole attachments conform to the principles and findings of the Commission's Order of May 27, 1983, and would be approved, except for the following objections:

(a) On sheet 16-3 Indemnity, Kentucky Power should state that it is responsible for its own negligence in a joint act causing damage or injury.

(b) On sheet 16-4 Default or Non-Compliance, Kentucky Power should state that it is responsible for any negligent destruction of the CATV equipment in any relocation or removal.

ORDERS

IT IS THEREFORE ORDERED that Kentucky Power's CATV pole attachment tariff filed with the Commission on June 24, 1983, be and it hereby is rejected.

IT IS FURTHER ORDERED that Kentucky Power shall file revised rates, rules, and regulations governing CATV pole attachments with the Commission within 30 days from the date of this Order, and that the revised rates, rules and regulations shall conform to the findings of this Order.

IT IS FURTHER ORDERED that Kentucky Power shall file detailed workpapers supporting its revised rates at the same time it files its revised rates, rules and regulations.

Done at Frankfort, Kentucky, this 6th day of July, 1983.

By the Commission

ATTEST:

Richard D. Hemmen
Secretary

Freeman Exhibit 4
Case No. 2005-00341

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

* * * * *

In the Matter of:

THE CATV POLE ATTACHMENT)
TARIFFS OF THE UNION LIGHT,)
HEAT AND POWER COMPANY)

ADMINISTRATIVE
CASE NO. 251-27

O R D E R

Procedural Background

On June 1, 1983, the Commission issued an Order rejecting the CATV pole attachment tariff filing of the Union Light, Heat and Power Company ("ULH&P") and directing ULH&P to file revised rates, rules and regulations governing CATV pole attachments. On June 24, 1983, the Kentucky Cable Television Association, Inc., ("KCTA") filed a petition to rehear, reconsider and modify paragraph 4 of the Order of June 1, 1983. On July 1, 1983, ULH&P filed a revised pole attachment tariff and supporting workpapers. On July 8, 1983, ULH&P filed a memorandum in opposition to KCTA's petition for rehearing.

FINDINGS

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that:

1. ~~In finding 4 of the June 1, 1983, Order the Commission found that, as ULH&P does not segregate the cost of ULH&P's major appliances, 22 percent should be deducted~~

from its pole account in calculating its bare pole cost. KCTA's petition argues that 35 percent should be deducted in calculating ULH&P's bare pole cost. The Commission's Orders of August 12, 1982, and September 17, 1982, in Administrative Case No. 251, The Adoption of a Standard Methodology for Establishing Rates for CATV Pole Attachments, established uniform methods of estimating bare pole costs for telephone utilities and electric utilities that do not account separately for all appurtenances. For telephone utilities, the method consisted of deducting 22 percent for all appurtenances. For electric utilities, the method consisted of excluding 15 percent for minor appurtenances and deducting \$12.50 per ground. KCTA correctly argues that electric utilities make much greater use than telephone utilities of cross-arms and other appurtenances. ~~Therefore, deducting 22 percent for all appurtenances is not adequate for electric utilities.~~

The Commission's Order of August 12, 1982, did not provide for electric utilities that do not segregate the cost of major appurtenances. ULH&P did not petition for reconsideration of that Order regarding ULH&P's failure to maintain separate records for all major appurtenances in account no. 364. ~~The Amended Order of September 17, 1982, again did not provide for electric utilities that do not segregate the cost of major appurtenances.~~ Therefore, to conform to the Commission's Amended Order of September 17, 1982, ULH&P should reconstruct separate cost records for

major appurtenances, such as anchors, cross-arms and braces, and estimate bare pole costs by deducting the cost of the major appurtenances plus 15 percent for minor appurtenances, such as aerial cable clamps and pole top pins, plus \$12.50 for ground wires.

2. ULH&P's rules and regulations governing CATV pole attachments conform to the principles and findings of the Commission's Order of June 1, 1983, and would be approved, except for the following objections:

a. In No. 2 the statement, "The Company shall have the sole right to determine the availability of such pole for joint use and shall be under no obligation to grant permission for its use by attachee," should be deleted along with the phrase "in the company's opinion" which is in the last sentence.

b. In No. 5 the statement, "if the company and other attachees or permittees are willing to make such rearrangement," should be deleted.

c. In Nos. 7 and 8 there should be a statement to the effect that ULH&P is liable for any negligence on its part whether or not it causes damages to CATV equipment.

d. In No. 11 there should be a statement which makes ULH&P liable for damage to CATV equipment when the damage is due to ULH&P's negligence.

e. In No. 15 the tariff may be subject to previously granted rights but shall not be subject to subsequently granted rights.

II IS THEREFORE ORDERED that ULH&P's CATV pole attachment tariff filed with the Commission on June 29, 1983, be and it hereby is rejected.

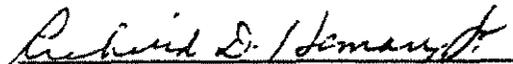
IT IS FURTHER ORDERED that ULH&P shall file revised rates, rules and regulations governing CATV pole attachments with the Commission within 30 days from the date of this Order, and that the revised rates, rules and regulations shall conform to the findings of this Order.

IT IS FURTHER ORDERED that ULH&P shall file detailed workpapers supporting its revised rates at the same time it files its revised rates, rules and regulations.

Done at Frankfort, Kentucky, this 14th day of July, 1983.

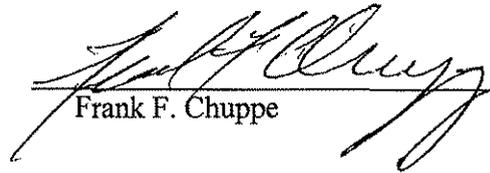
By the Commission

ATTEST:


Secretary

CERTIFICATE OF SERVICE

The undersigned hereby certifies that an original and ten photocopies of the foregoing Testimony of James Freeman were filed with Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, KY 40601; and a copy of the foregoing was served upon Richard G. Raff, Public Service Commission of Kentucky, 211 Sower Boulevard, P.O. Box 615, Frankfort, KY 40602-0615; David F. Boehm, Michael L. Kurtz, Boehm, Kurtz & Lowry, 2110 CBLD Center, 36 East Seventh Street, Cincinnati, Ohio 45202; Dennis G. Howard II and Elizabeth E. Blackford, Assistant Attorneys General, 1024 Capital Center Drive, Suite 200, Frankfort, KY 40601-8204; Mark R. Overstreet, Stites & Harbison, 421 West Main Street, P.O. Box 634, Frankfort, KY 40602-0634; and Joe F. Childers, 201 West Short Street, Suite 310, Lexington, KY 40507 by U.S. Mail, first-class postage prepaid, this 9th day of January, 2006.



Frank F. Chuppe